SCHMIDT SCIENTIFIC SDN BHD

v.

ONG HAN SUAN & ORS

HIGH COURT MALAYA, KUALA LUMPUR
RK NATHAN JC
[CIVIL SUIT: D5-22-410-1994]
26 JUNE 1997

CONTRACT: *Breach - Fidelity clause - Duty of good faith - Whether enforceable after employment ends - Whether employee can be restrained from using or disclosing confidential information obtained during employment - Elements required to show breach of confidence - Whether trade secrets limited to manufacturing process and secret formula*

CONTRACT: *Restraint of trade - Confidential information - Whether injunction to restrain employee from using confidential information a restraint of trade*

CIVIL PROCEDURE: *Injunction -Interlocutory injunction to restrain disclosure of confidential information - Effect of delay - Whether delay is significant where final injunction is sought*

CIVIL PROCEDURE: *Judgments and orders - Order not perfected - Setting aside judge's order of self-disqualification - Grounds*

EVIDENCE: *Adverse inference - Failure to call material witnesses - Whether court entitled to draw adverse inference - Evidence Act 1950, s. 114(g)*

The plaintiff was the employer of the 1st to 4th defendants and dealt in the sale of certain scientific equipment for which it was the exclusive distributor in Malaysia. The 1st to 4th defendants left the employ of the plaintiff and incorporated the 5th defendant in December 1993. On 1 April 1994, the 5th defendant was appointed a distributor of certain products for which the plaintiff had earlier been the sole distributor. The contracts of employment between the plaintiff and the 2nd to 4th defendants contained a fidelity clause which imposed an obligation on the 2nd to 4th defendants not to have any interest in any business similar to the plaintiff's business and to keep confidential all information about the plaintiff's dealings, transactions, and financial matters. The defendants admitted that between December 1993 and January 1994, the 5th defendant had approached three existing customers of the plaintiff regarding the sale of products sold by the plaintiff at a time when the 5th defendant was not yet an authorised distributor. One of the customers eventually purchased a product from the 5th defendant, from which transaction the 5th defendant made a profit of RM26,000.

The plaintiff applied for, *inter alia*: (i) an injunction to restrain the 5th defendant from using or disclosing any trade secrets of the plaintiff and soliciting orders from the plaintiff's customers; (ii) an injunction to restrain the 1st to 4th defendants from disclosing to the 5th defendant any confidential information and/or trade secrets of the plaintiff; and (iii) an order that the defendants deliver up the confidential documents of the plaintiff in the possession of the defendants. In their defence, the defendants contended, *inter alia*, that: (i) the confidential documents in order to be protected, had to be the product of unique intellectual work by the plaintiff or its employees, which in this case they were not; and (ii) the delay of 18 months on the plaintiff's part in filing the writ was unacceptable and since the court had earlier rejected the plaintiff's application for an interlocutory injunction on this ground, the court was bound to refuse the present application. During the course of the hearing, defence counsel was asked by his clients to discharge himself because in the light of the questions directed at him by the court, they felt that the court might be prejudiced. In view of what was expressed by the defendants, the judge disqualified himself. The plaintiff's counsel then filed an application for an order that the judge set aside his own order to disqualify himself and to continue to hear the case. Subsequently, the same defence counsel appeared as co-counsel.

Held:

[1] The duty of good faith or fidelity does not only prohibit an employee from misusing or disclosing information whilst still in the employer's employ but also prohibits the employee from using any confidential information obtained during his employment without the employer's consent for his own or someone else's use after the employment contract ends.

[2] Where the court finds that there exists a confidential relationship between two parties, it can infer an implied contract arising out of that confidential relationship.

[3] In order to succeed in an action for breach of confidence, the plaintiff must show that the information sought to be protected: (i) is of a confidential nature; (ii) was communicated in circumstances importing an obligation of confidence; and (iii) was used in an unauthorised way to the detriment of the plaintiff. In the instant case, the plaintiff had satisfied all three elements and was entitled to an injunction against all the defendants.

[4] There was evidence on the plaintiff's behalf that the 4th defendant had printed out information relating to, *inter alia,* the plaintiff's customer database, suppliers and cost prices and this evidence was not effectively refuted. In the light of the particular trade setting of the plaintiff's business, trade secrets were not limited to manufacturing processes or secret formulas but extended also to information relating to customers, suppliers, cost prices and the specific needs and requirements of the customers. The method of compilation of the lists of customers, their specific needs and cost prices was confidential even if the method of arriving at the selling price of the equipment was neither a unique intellectual work nor ingenious.

[5] The plaintiff was entitled to rely on the irresistible inference that the defendants had made use of the confidential information because of the admitted similarity of the quotations sent out by the plaintiff and the 5th defendant to the three customers of the plaintiff, except for the lower price.

[6] The defence was a denial of having approached the plaintiff's customers but during the trial it was submitted that the 5th defendant had received market information from the suppliers and customers. However, there was no evidence to this effect and the court was entitled to rely on s. 114(g) of the Evidence Act 1950 to invoke the presumption of adverse inference due to the defence failure to call material witnesses.

[7] There was sufficient evidence to prove on a balance of probabilities that the defendants had taken or made copies of confidential documents and/or trade secrets from the plaintiff and used them for the benefit of the 5th defendant.

[8] The allegation of restraint of trade failed as the plaintiff was not attempting to restrain the defendants from entering into the same trade but from using or disclosing confidential information and/or trade secrets of the plaintiff to the detriment of the plaintiff.

[9] An interlocutory injunction is granted only in cases of urgency, so that a plaintiff who delays thereby demonstrates the absence of urgency. Delay is, however, less significant in a suit seeking final relief. Having considered all the facts and authorities, an order in terms of all the prayers sought by the plaintiff was granted with costs to follow the event.

[10] A breach of confidence should also be regarded as a tort with damages to be assessed to the successful plaintiff.

[11] As the same defence counsel subsequently appeared as co-counsel and as the order of self-disqualification had not been drawn up or perfected, the judge granted the plaintiff's application and continued to hear the case. Furthermore, as there was no bias or real possibility of bias, the judge was of the view that it would be an abdication of judicial function and an encouragement of procedural abuse if he were to remain disqualified.

[Plaintiffs' application allowed.]

Cases referred to:
Alfred Templeton v. Low Yat Holdings Sdn Bhd & Anor [1989] 1 CLJ 693 ***(foll)***
Coco v. AN Clark (Engineers) Ltd (No 2) [1969] RPC 41 ***(foll)***
Hock Hua Bank (Sabah) Bhd v. Yong Link Thin & Ors [1995] 2 CLJ 900 ***(refd)***
Merryweather v. Moore [1892] 2 Ch 518 ***(foll)***
Robb v. Green [1895] 2 QB 31 ***(foll)***
Seager v. Copydex Ltd [1967] 2 All ER 416 ***(refd)***
Wong Foot Choy & 25 Ors v. Toong Hup (M) Sdn Bhd & Ors [1996] 1 AMR 402 ***(refd)***

Legislation referred to:
Evidence Act 1950, ss. 90A(2), 114(g)
Rules of the High Court 1980, O. 24 rr. 5, 16, O. 35 r. 2, O. 92 r. 4

For the plaintiff - KL Wong; M/s Nik Hussain & Partners
For the defendants - AKJ D'Cruz (JS Khoo with him); M/s JS Khoo & Co & Venu Nair; M/s Venu Nair & Co

JUDGMENT

RK Nathan JC:

The plaintiff deals in very specialised equipments and instruments which are imported from overseas principal/supplier, to be sold to various hospitals, research centres, universities and industries throughout Malaysia. The plaintiff had signed exclusive distributorship agreement for the sale of testing equipments (the Tabai products) with the overseas principal/supplier, Tabai Espec Corporation, but the agreement was made non-exclusive when the 5th defendant was appointed as a distributor in April 1994. The sale of other testing equipments (Suga products) were made through Yamato Scientific Co. Ltd (Yamato). It was an understanding that Yamato will only sell Suga products to the plaintiff in Malaysia.

The 1st, 2nd, 3rd and 4th defendants were at all material times employees of the plaintiff. The 1st defendant was employed in 1979 and he was a director when he left the plaintiff at the end of December 1992. The 2nd defendant was employed in April 1989 and he was the manager of the technical instrumentation division when he left the employment of the plaintiff on 5 December 1993. The 3rd defendant was employed in 1967 and was holding the post of project manager when he resigned from the plaintiff on 31 August 1993. The 4th defendant was employed in January 1989, and he was the service manager when he left the plaintiff's employment on 2 December 1993. The 5th defendant was a company incorporated by the 1st, 2nd, 3rd and 4th defendants on 6 December 1993. They are the only shareholders and directors of the 5th defendant. In the contract of employment between the plaintiff and the 2nd and 4th defendants there was a fidelity clause which read as follows:

> Fidelity: During the employment with the company you shall not have any direct or indirect interest in any business similar to the company's business and you shall direct all your efforts, duties and responsibilities to further the interests of the company.
>
> Any information about the company, its dealings, transactions and financial matters are regarded as confidential and are not allowed to be divulged to any person whatsoever.

Between the period of December 1993 to January 1994, the 5th defendant had approached the existing customers of the plaintiff, namely Sharp Roxy Corporation (M) Sdn Bhd, Sime Darby Tyre Technology Centre (M) Sdn Bhd and Matsushita Electric Co (M) Bhd for the sale of Tabai and Suga products and quotations were sent out by the 5th defendant to these customers of the plaintiff. At the material time the 5th defendant was not the authorised agent/ distributor for the sale of Tabai and Suga products. It is clear that the quotations sent out by the 5th defendant to these same customers of the plaintiff were in respect of the same equipments/instruments for which the plaintiff had earlier given its quote with the exact specifications except that the 5th defendant had quoted a reduced price. It is also a fact that in any event the plaintiff managed to secure the contract for the sale of the equipments/instruments with Sharp Roxy Corporation (M) Sdn Bhd and Sime Darby Tyre Technology Sdn Bhd, but at a lower price than was initially quoted. The plaintiff contended that it had suffered losses by reason of a special discount which it had to give these customers as a result of the 5th defendant's low quotation. However the sale to Matsushita Electric Co (M) Bhd was lost to the 5th defendant. The 5th defendant had admitted that Matsushita Electric Co. (M) Bhd had purchased the same equipments/ instruments that were earlier offered by the plaintiff. The 5th defendant also

admitted making a profit of between RM26,000 to RM27,000 out of this sale. The 5th defendant had also approached the overseas principal/supplier, Tabai Espec Corporation and was appointed the distributor for the Tabai products with effect from 1 April 1994. Hence the distributorship agreement with the plaintiff was made non-exclusive.

The Plaintiff's Cause Of Action

The plaintiff claimed against the defendants for the following orders:

(a) an injunction to restrain the fifth defendant (whether by itself or acting by its directors, servants, service or agents or whomsoever) from doing the following acts:

(i) using, divulging and/or disclosing any confidential information and/or trade secrets of the plaintiff (including but not limited to those particulars set out in para. 8 of the plaintiff's statement of claim).

(ii) approaching any suppliers of the plaintiff with the view to induce them to appoint the fifth defendant or whomsoever as the agent/distributor of their products.

(iii) placing and/or soliciting orders from any supplier of the plaintiff with the view to obtain supply of their products, for whom the plaintiff are the exclusive agents/distributors appointed by the said supplier.

(iv) taking and/or soliciting orders or otherwise dealing with each and every customer of the plaintiff, with whom the plaintiff has a business dealing with them for the sale of equipments and instruments to the customers.

(b) an injunction to restrain the first, second, third and fourth defendants and each of them (whether acting individually or collectively and through his servants or agents) from using, divulging and/or disclosing to the fifth defendant or whomsoever, any confidential documents (including "Project Lists") and also confidential information and/or trade secrets of the plaintiff (including but not limited to the particulars set out in para. 8 of the plaintiff's statement of claim).

(c) that the first, second, third and fourth defendants do forthwith cause to deliver up the confidential documents (including "Project Lists") and any confidential information and/or trade secrets of the plaintiff, which are in the possession, power or custody of either of the defendants, the use or disclosure of which would offend against the foregoing injunction or any of them.

(d) an inquiry as to damages suffered by the plaintiff and to be paid by the first, second, third, fourth and fifth defendants to the plaintiff.

(e) an account of profits made and to be paid by the first, second, third, fourth and fifth defendants to the plaintiff.

(f) interest as it deems fit by this Honourable court.

(g) costs

(h) any further Order and/or relief as this Honourable court may deem fit and proper.

The final prayer was no doubt to enable the Judge to make any further consequential orders if the plaintiff was successful.

Breach Of Duty Of Fidelity And Good Faith

The plaintiff contends that the defendants had breached their duty of fidelity and good faith while in the employment of the plaintiff by taking away and making copies of the confidential information and/or trade secrets of the plaintiff. I find that this duty of good faith or fidelity does not just require that the employee refrains from misuse or from disclosing information whilst still in the employment of the plaintiff. To my mind, there is also an implied duty that prohibits the employee from using any confidential information obtained during his employment, without the employer's consent, for his own or someone else's use after the employment contract ends. Thus, it is a breach of the fidelity clause and the implied duty to remove a customer list or to deliberately set out to memorise the said list with the intention of using it later, even though any use or disclosure is confined to the post-employment period. In such a case the eventual exploitation of the information is considered to be no more than an extension of the original breach of good faith and fidelity. In *Robb v. Green* [1895] 2 QB 315 the Court of Appeal held that the employee was in breach of an implied term of the contract of service in making copies of his employer's list of customers' names and addresses, with the intention of using it for the purpose of soliciting orders from them after he had left his employer's service and set up a similar business on his own account.

Lord Esher MR said at pp. 316, 317:

> ... The question is whether such conduct was not what any person of ordinary honesty would look upon as dishonest conduct towards his employer and a dereliction from the duty which the defendant owed to his employer to act towards him with good faith. I think the judge was perfectly justified in holding that such conduct was a breach of the trust reposed in the defendant as the servant of the plaintiff in his business. The question arises whether such conduct is a breach of contract. That depends upon the question whether in a contract of service the court can imply a stipulation that the servant will act with good

> faith towards his master. In this case it is said that the contract of service was in writing; but there is nothing in the express terms of the contract that contradicts such an implication. I think that in a contract of service the court must imply such a stipulation as I have mentioned, because it is a thing which must necessarily have been in view of both parties when they entered into the contract.

I am in total agreement with the passage quoted. It is not possible to envisage that a master would have reposed upon his servant confidential material nor put him into a position of confidence to enable that servant to use it against him or in competition with him.

In *Merryweather v. Moore* [1892] 2 Ch 518 the defendant, upon completing a term of apprenticeship with the plaintiffs, a firm of engine-makers, was retained in their employment as a paid clerk, but he ultimately left their service for that of another firm of engine-makers. Two days before leaving the plaintiffs' service he compiled for his own purposes, and without their knowledge or consent, a table of dimensions of various types of engines made by them, and this table he had in his possession when he entered the service of his new employers, who subsequently exposed for sale an engine of, it was said, dimensions corresponding to dimensions given in the table, though this was denied. The court held that in compiling and retaining the table for his own purposes, the defendant had committed an abuse of the confidence ordinarily existing between a clerk and his employer, or a breach of the implied contract apparently arising from that confidence, the confidence being that a servant shall not use, except for the purposes of service, the opportunities which that service gives him of gaining information; and accordingly that the plaintiffs were entitled to an interim injunction restraining the defendant from publishing or communicating the table or its contents to any person.

It is not difficult to see that this court has the jurisdiction to put right any violation of any right whether arising out of a breach of contract or of confidence. In fact the confidence reposed postulates an implied contract. Therefore where the court finds that there is in existence a confidential relationship between two parties, the court can infer an implied contract arising out of that confidential relationship.

In the case before me apart from the general duty of good faith and fidelity, the 1st, 2nd, 3rd and 4th defendants, and through them the 5th defendant, as ex-employees are also under an implied duty not to use, divulge and/or disclose to whomsoever, any confidential information and/or trade secrets obtained during the course of their employment with the ex-employer after the employment had ceased for their own or the 5th defendant's benefit to the detriment of the plaintiff. I find that the defendants herein had used, divulged

and/or disclosed confidential information and/or trade secrets of the plaintiff. In *Seager v. Copydex, Ltd* [1967] 2 All ER 416 Lord Denning MR did not even want to consider the question of an implied contract; he however relied on equity. He said at p. 417:

> The law on this subject does not depend on any implied contract. It depends on the broad principle of equity that he who has received information in confidence shall not take unfair advantage of it. He must not make use of it to the prejudice of him who gave it without obtaining his consent.

In *Coco v. A.N. Clark (Engineers) Ltd (No. 2)* [1969] RPC 41 Megarry J held that in order to succeed in an action for breach of confidence the plaintiff must establish to the satisfaction of the court three elements, namely,

(1) that the information which the plaintiff is seeking to protect is of a confidential nature;

(2) that the information in question was communicated in circumstances importing an obligation of confidence; and

(3) that there must be an unauthorised use of that information to the detriment of the party communicating it.

From the facts adduced I have no hesitation in holding that the plaintiff has satisfied me in respect of all three elements as against all the defendants. Hence, the defendants herein, who came into possession of confidential information, knowing it to be such, come under a duty not to take unfair advantage of it or to make use of it to the prejudice of him who gave it without obtaining his consent. The 5th defendant to whom the information has been wrongfully revealed also comes under a duty of confidence to the original confider, that is, the plaintiff in this case. It is therefore necessary to grant the equitable relief of an injunction against the 5th defendant as well as against the rest of the defendants.

The Evidence

From the evidence adduced I gather that the sales process starts with the customer informing the plaintiff that it requires a particular instrument or equipment for its department. The plaintiff will then send a sales engineer to finalise the specifications of the particular equipment or instrument. The details of the specifications will depend on the specific needs and requirements of the customers.

Upon finalisation of the specification the plaintiff will then call up the overseas principal/supplier to determine the costs price. In some cases the costs may be obtained from the price list provided by the supplier. The selling price of

each instrument and equipment depends on the prevailing exchange rate, the particular specification requested by the customer and the marked up profit margin. Different customers would require different specifications relating to the humidity and temperature range of each equipment. The sales engineer will do a manual calculation to determine the nett selling price of the equipment and instrument. He will then offer a quotation to the customer based on the configuration and specification that had been discussed earlier. The quotation sent to the customer could be for budgetary purpose, to source for funds or it could be for evaluation for tendering purposes. The plaintiff will constantly monitor and follow up with the customer.

The nett selling price of the products usually are fixed by determining the costs price of the instrument/equipment from the overseas principal/supplier. These costs can be obtained from the price list provided by the overseas principal/supplier directly. Based on this cost price, the plaintiff would then add the freight charges, customs duties and all other incidental expenses, to arrive at the landed costs.

The overseas principal/supplier will provide the plaintiff, information in the form of catalogues, literature, details of the specifications, repair and maintenance, materials and price lists.

The plaintiff had implemented a project monitoring system to monitor the sales activities of its divisions. The system would describe the projects that are on-going at that time. Among the information contained in the system are customers' names and addresses, contact persons and telephone numbers, quoted price, contract value, a brief description of the product or equipment offered to the customer and the date of the next follow-up week.

It was conceded by the defendants that costs prices are to be regarded as confidential information, as it is not generally known in the market.

PW2, Chew Kong Sen, the manager of the service division of the plaintiff, testified that there were records of the customers' data base and service lists, which contain information relating to the names and addresses of the customers, contact person, telephone numbers, names of the equipment, model number, serial number, customer's requirement and value of the service contract. These information were kept in a diskette, which was compiled by the 4th defendant. On two or three occasions, PW2 had spoken to the 4th defendant relating to the handing over of the customers data base and service lists, but the 4th defendant had refused to hand over the same. There was an occasion when PW2 saw the 4th defendant printing out the data from the computer in his room. PW2's room was immediately next to the 4th defendant's and he could see through the glass partition, what the 4th defendant

was doing at that time. PW2 was not cross-examined as to the conversation nor was it put to PW2 that there was no such conversation. The 4th defendant had further admitted in his evidence-in-chief that he kept records of the names and addresses of the customers and that such information was maintained in the computer and in a separate book. He merely denied that he had taken away the information. In his evidence-in-chief, the 4th defendant stated that he left everything in his room. In respect of the evidence of PW2 that he saw the 4th defendant printing out the information from the diskette, the 4th defendant sought to tender a sketch plan showing the location of his room and PW2's room. However, PW2 was never cross-examined on the sketch plan and neither was it suggested to PW2 that from where he was sitting he could not possibly see what the 4th defendant was doing due to the positioning of the computer. It was merely suggested to PW2 during cross-examination that PW2 could not see clearly due to the distance of approximately 6 feet. The law journals are replete with cases which suggest the need to put one's case to the other side. In fact during the cross-examination of DW4 when asked why the sketch plan was not shown nor put to PW2, the 4th defendant's baffling answer was that the idea did not come to him then. I see no reason why, if there was any truth in the suggestion that PW2 could not have seen what he said he saw, it did not occur to DW4 to have thought of the idea of the sketch plan at that stage. The truth of the matter lies in DW4's answer. It did not occur to him then and so it is nothing more than an after thought. Surely the most interested party was PW2. He was never given the opportunity to refute, or to agree with, the key and sketch. In the circumstances, I have no hesitation in accepting the evidence of PW2. Further considering the candid manner in which he gave his evidence, I have no reason not to accept PW2 as a witness of truth.

From the plaintiff's evidence it is obvious that prior to the 1st to the 4th defendants leaving the employment of the plaintiff, there were no other competitors in the market for the Tabai and Suga products and that the plaintiff was the only agent for the Tabai and Suga products in Malaysia. The defendants had access to a great deal of confidential information and/or trade secrets of the plaintiff. There was information relating to costs prices, quoted prices, specific needs and requirements of the customers and suppliers, status of all on-going negotiations with the customers, and price list. These information are highly confidential in nature, and not generally known in the market. The disclosure of these information, to my mind, would no doubt cause detriment to the plaintiff in terms of business and reputation. The competitor may under cut the plaintiff in terms of prices, and interfere with the ongoing contracts. The customers can lose trust with the plaintiff. In fact the plaintiff referred to PBD 55 – 56 which was a copy of a letter from the overseas principal/supplier, Tabai Espec Corporation, addressed to the 5th defendant

informing it not to approach the plaintiff's customers to promote or to sell Tabai products.

The Turnkey Project

According to PW3, the 2nd defendant had mentioned to him regarding a turnkey project involving an overseas principal, Yamato. The 2nd defendant had also informed PW3 that the plaintiff had decided not to put a bond on him because he had secured the turnkey project from the overseas principal. However PW3 was not cross-examined by the defendants in respect of the conversation that took place between the 2nd defendant and PW3.

Whilst admitting that costs price and quotation are confidential information DW1 could not produce any documents to show that these were Tabai and Suga products which were commonly sold by other companies in the market. When DW1 was cross-examined as to where he obtained the costs price he said that one Mr. Nishiyuma had given him the list. Neither was the said list tendered nor was Mr. Nishiyuma called to give evidence. When DW1 was asked why the 5th defendant sold Tabai products even though it was not an authorised agent, the reply was "we needed sales and income". There was also no satisfactory explanation as to how he knew that the customers were looking for the particular equipment except through market information and other suppliers; however no one was identified nor was anyone called to give evidence to this effect.

The Confidential Nature Of The Information

The plaintiff seeks from this court the protection to restrain further unauthorised use and/or disclosure of its confidential information and/or trade secrets. I am constrained to hold that the nature of the information, in the light of the plaintiff's business and its trade practice, compels this court to grant the protection the plaintiff seeks. It is my judgment that trade secrets are not limited to manufacturing processes or secret formulae but extend to information relating to the list of names and addresses of the customers and suppliers, specific questions sent to the customers, costs prices, specific needs and requirements of the customers and status of the ongoing negotiation with the customers. Therefore it is my finding that in the light of the particular trade setting of the plaintiff's business, the above mentioned information had the necessary quality of confidentiality. The 1st, 2nd, 3rd and 4th defendants are not entitled to make use or make copies of the said information for the benefit of the 5th defendant in competing with the plaintiff's business.

Unauthorised Use And/Or Disclosure Of Confidential Information

It cannot be denied that the 1st to the 4th defendants, in view of the senior positions they held in the plaintiff, had access to a great deal of confidential information and/or trade secrets of the plaintiff. I cannot but infer that in approaching the customers of the plaintiff for the sale of the same equipment, that was earlier quoted by the plaintiff itself, the defendants must have made use of or taken and/or made copies of the confidential information and/or trade secrets of the plaintiff. This is a matter which is strictly within the specific knowledge of the defendants alone and no one else. In my view the plaintiff is entitled to rely on an irresistible inference that the defendants had made use of the confidential information and/or trade secrets of the plaintiff because of the admitted similarity of the quotation sent out by the plaintiff and the 5th defendant to Sharp Roxy Corporation (M) Sdn Bhd and the other so-called coincidences of the 5th defendant approaching the other customers of the plaintiff for the sale of an identical equipment with the exact specifications, except for a lower price.

Conflicting Stories Of The Defence

The defence was a denial of having approached the plaintiff's customers. However, during the trial the defence sought to rely on an entirely new defence, that is, that they had received market information from the suppliers and customers. However, when the customers were giving evidence in court, such a suggestion was never put to them. Not one of the suppliers was called to give evidence. Surely this court is entitled to rely on s. 114(g) of the Evidence Act 1950 and to invoke the presumption of adverse inference due to the failure of the defence to call material witnesses. Further, the 5th defendant would not know the specific needs and requirements of the customers in relation to the particular equipment that was earlier offered to the customers, unless the 5th defendant had gone through the same process of negotiation with the customers. No evidence was led by the defendants as to whether such negotiation had taken place or not. In fact the 5th defendant had admitted that it had no customers at the time of its commencement of business, that is, 6 December 1993. It is my judgment that the evidence led by the defence at the trial, had failed to explain several circumstances, thus giving rise to an irresistible inference that the defendants had used and/or made copies of the confidential information and/or trade secrets of the plaintiff. Neither were the defendants able to provide credible evidence as to how they arrived at the nett selling price without the price lists/costs price.

Further, the details of the specification could not be obtained from market information, unless it was copied from the plaintiff's documents. It is pertinent to note that the 5th defendant was not an authorised dealer/distributor but

managed to approach at least 3 customers of the plaintiff for the sale of Tabai and Suga products, within one month after its incorporation. However, during cross-examination of DW5, Ong Han Suan, who represents the 5th defendant, he said that when the 5th defendant commenced business, it did not deal mainly with Tabai and Suga products. However, evidence revealed that a quotation was sent out for Tabai products, in less than two weeks after commencement of business. DW5 also stated that the 5th defendant had received market information from the suppliers and customers without identifying these people nor calling them to give evidence in court.

Court's Findings

I find that the alleged breaches of the defendants can be established and/or inferred from the following salient evidence adduced at the trial:

(a) Upon close examination of the 5th defendant's letter of offer (PBD 34 - 35) it is revealed that the documents contain specific information relating to a particular Tabai equipment, and that one of which corresponds exactly in fact and content, with that of the plaintiff's earlier letter of offer dated 28 October 1993 (PBD 19 - 20). The question that arises is, where did the 5th defendant obtain the information relating to the specification of the particular equipment, since the 5th defendant was not the authorised agent, at the material time. No evidence was led by the defendants to show the source of the information, apart from stating standard model and market information. Certainly such detailed information could not possibly be obtained from any other source, except from the plaintiff.

(b) The information relating to the specific requirements and needs of the customers in respect of the particular equipment, was highly confidential in nature and sensitive to its competitor. There is also no credible evidence led by the defendants, as to the circumstances giving rise to the letter of offer dated 17 December 1993. Apart from the specification of the equipment which was identical, I cannot but conclude that the nett selling price could only have been configurated after obtaining the costs price from the principal/supplier and when at that time the plaintiff was the exclusive agent/distributor for Tabai products. I have no hesitation in concluding that the 5th defendant had in all probability received and/or obtained the information from the documents belonging to the plaintiff.

(c) The plaintiff had clearly established that the information relating to the current sales status of its products to the customers was highly confidential in nature, and it is reasonable therefore to infer that in approaching the existing customers of the plaintiff and offering the same equipment, albeit at a lower price, the 5th defendant ought to have used and/or obtained

confidential information and/or trade secrets of the plaintiff. No plausible explanation was given by the defendants in respect of such coincidences within such a short time, after the 5th defendant was incorporated.

(d) Between December 1993 and January 1994, the 5th defendant had admittedly sent similar quotations at a reduced price to the existing customers of the plaintiff, namely Sharp Roxy Corporation (M) Sdn Bhd, Sime Darby Tyre Technology Centre (M) Sdn Bhd and Matsushita Electric Co (M) Bhd. According to the evidence of PW5, 6 and 7, the customers of the plaintiff, the 5th defendant had approached them for the sale of Tabai and Suga products in which the plaintiff had an ongoing negotiation with the said customers for the same equipment/instrument at that time.

(e) No evidence was led to show that the 5th defendant knew of the customers' needs and requirements through negotiations/discussions with them. In the absence of such evidence it is an irresistible inference which I draw that such information had been obtained from the plaintiff. It is highly probable that the confidential information and/or trade secrets relating to each and every existing customer of the plaintiff was passed on to the 5th defendant with a view to competing with the plaintiff's business.

(f) It was never disputed that the 5th defendant had also approached one of the overseas principal/supplier of the plaintiff, that is Tabai Espec Corporation, with a view to inducing them to appoint the 5th defendant as its agent/distributor, though the 1st, 2nd, 3rd and 4th defendants knew that the plaintiff was the exclusive agent/distributor at the material time. It is rather obvious that the defendants had intended that if they could sell Tabai products to the customers of the plaintiff, the overseas principal/supplier would not have renewed and/or continued with the exclusive distributorship agreement with the plaintiff. This the defendants were not entitled to do as it would interfere with the plaintiff's business.

In view of the aforesaid it is my judgment that there is sufficient material to prove on a balance of probabilities that the defendants had taken and/or made copies of several confidential documents and/or trade secrets of the plaintiff and had used the same for the benefit of the 5th defendant. Upon evaluation of the evidence in its entirety, it is open for me to find that the 1st, 2nd, 3rd and 4th defendants had the intention to use the confidential information and/or trade secrets of the plaintiff to compete with the plaintiff's business, in approaching the existing customers and suppliers of the plaintiff. The relationship between the 5th defendant and the other defendants is such that the working minds behind the 5th defendant must necessarily be the 1st, 2nd, 3rd and 4th defendants who are the only shareholders and directors of the 5th

defendant. Therefore I cannot but find that any such information obtained and/or received and/or used by the 5th defendant, would have presumably come either individually or collectively from the 1st, 2nd, 3rd and 4th defendants. Having considered the positions held by the four whilst in the employment of the plaintiff I find that the defendants were aware or ought to have been aware that the information was trade secret and/or confidential and that the disclosure of which would be detrimental to the plaintiff's business.

Is There Restraint Of Trade

I also find that it is not the plaintiff's case to restrain the defendants from entering into the same trade as the plaintiff. The plaintiff's case is to restrain them from using, disclosing and/or divulging confidential information and/or trade secrets of the plaintiff to the detriment of the plaintiff. Clearly the allegation of restraint of trade must fail.

Have The Documents To Be The Product Of Unique Intellectual Work

The defence contend that the documents referred to by the plaintiff as being confidential must be the product of unique intellectual work and ingenuity which only the plaintiff and its employees could produce. Since the information was merely a 'configuration' of data supplied by the manufacturers for the purpose of arriving at the selling price, it was neither unique intellectual work nor ingenious. The defence argued that every trader in its normal course of business fixes a price for a product sold to customers in the same way as the 'configuration' referred to by the plaintiff.

I reject the argument of the defendants. No doubt that the method of configuration is not confidential but what makes it confidential, is the compilation of lists of the names and addresses of customers, specific needs and requirements of the customers and their budget and the costs and prices of the equipment obtained from the overseas principal/supplier. The defendants had saved themselves the time and trouble of having to go through laborious discussions and negotiations with the customers, the effort put in to compile the list of names and addresses of customers and suppliers and above all the costs and prices which are only available from the overseas principal/supplier.

Delay

The defendants argued that since it was contended by the plaintiff that it had suffered at the hands of the defendants from early 1993 the delay of nearly 18 months before the writ was filed on 27 April 1994, was unacceptable. Quoting equitable maxims, the defendants contended that since the issue of delay was successfully upheld by this court in rejecting the application for interlocutory injunction, I was bound by that decision in respect of the main trial where various similar injunctions were again sought for.

This argument of the defendants is flawed from the outset. The grant of an interlocutory injunction ought to be distinguished from the grant of a permanent injunction. A permanent injunction is granted only after the plaintiff has established its right and the actual or threatened infringement of its rights by the defendants at the conclusion of the trial. An interlocutory or interim injunction is granted before the trial of an action, its object being to maintain *status quo* until the question at issue between the parties can be determined at trial. Therefore, a lesser degree of delay or laches suffices to debar a plaintiff from seeking interlocutory relief than from obtaining a permanent injunction, for the reason that a refusal of an interlocutory injunction is merely a temporary rebuff, whereas the refusal of a permanent injunction at the trial of the action, shows that the plaintiff has failed to establish the existence of its right in law. Moreover, interlocutory injunction is granted only in matters of urgency, so that a plaintiff who delays thereby demonstrates the absence of any urgency requiring prompt relief. Delay is, however, less significant, in a suit, seeking final, as opposed to interlocutory, relief. (See *Alfred Templeton v. Low Yat Holdings Sdn Bhd & Anor* [1989] 2 MLJ 202.)

Having considered all the facts, submissions and authorities submitted by both sides, I granted an order in terms of all the prayers sought by the plaintiff. Costs no doubt to follow the event.

Is There An Action In Tort For Breach Of Confidence

Whilst I have already considered in the course of this judgment that the confidence reposed postulates an implied contract and whilst I have also considered Lord Denning MR's views as expressed by him in *Seager v. Copydex (supra)* that equity would interfere to prevent those receiving information in confidence from taking unfair advantage of it, I am of the view that a breach of confidence should also be regarded as a tort with damages to be awarded to the successful plaintiff. After all, the word tort is derived from the Latin 'tortum' which means a wrong; and, a tort is nothing more than a breach of a duty, other than under contract leading to an award of damages. Since the categories of tortious liability remain open, the ingenuity and resourcefulness of the human mind can and ought to lead to fresh categories of tort being established. Into the list of categories of tort, I would include breach of confidence.

Non Admission Of Computer Generated Documents

In the course of getting this case ready for trial I had conducted numerous case managements, the purpose of which was to prod the parties to get going. On 17 February 1996 I conducted the first case management of this case. Having gone through the file with both counsel I directed that on the next

case management date, that is on 12 March 1996, I would hear encl. 27 which was the summons for directions. On the second case management date, having given the orders and noting the number of witnesses needed by each party, I fixed the trial dates to 24, 25 June 1996. I then fixed the next case management to 6 April 1996 by which time each party was directed to comply with O. 24 of the Rules of the High Court 1980 (the RHC). On the third case management date, whilst the plaintiff had complied with my direction to file the affidavit verifying the list of documents, the defendants had failed to do so. In spite of my warning that I would exercise my discretion pursuant to O. 24 r. 16 of the RHC and act against the party failing to comply, Mr. Venu Nair for the defendants, failed to comply with my directions. On his plea, I granted an extension of one week to enable him to comply and set the next case management to 13 April 1996. On the fourth case management date the defendants had complied and I then gave my next final directions which was that the parties ought to agree to documents and file one common agreed bundle of documents. Instead each party filed its own bundles, marked plaintiff's bundle of documents (PBD) and defendants' bundle of documents (DBD). I had also directed that each party was to compile its list of documents shown in Schedule 1 Part 1 pursuant to O. 24 r. 5 of the RHC and to have the same list of documents bundled and filed for easy reference. Whilst the plaintiff had complied with the same, the defendants had not. Rather than adjourning the case, I marked the respective bundles as filed by each party, and proceeded with the case.

When it came to pp. 22 - 30 of PBD being the computer print out of documents, Mr. Nair raised objections as to their admissibility pursuant to s. 90A(2) of the Evidence Act 1950 which requires that before such a document is admitted in evidence there must be tendered to the court a certificate signed by a person who either before or after the production of the document by the computer, is responsible for the management of the operation of that computer or for the conduct of the activities for which that computer was used. Since no such certificate was tendered, I was compelled to mark the documents in pp. 22 - 30 of PBD for identification only.

However, when PW8, Andreas G. Heckel-Heymann, the managing director of the plaintiff, took the stand, he tendered by consent the certificate required under s. 90A(2) of the Evidence Act 1950 and the said certificate together with pp. 22 - 30 of PBD were marked as P1A-1. It is therefore highly improper and misleading of the defendants to maintain in their submission that the said documents remained as 1D only. In the circumstances, since the documents were agreed and admitted I accepted the contents of the documents as true.

Counsel Discharging Himself And Coming Back

After much turbulence even before it took off the ground, the case finally proceeded. When PW8 was being cross-examined by Mr. Venu Nair, a question by him (p. 44 of the notes of evidence) prompted the court to ask Mr. Wong, counsel for the plaintiff, for a copy of the pleadings as there was no copy of the bundle of pleadings in the court file. At this stage, Mr. Wong informed the court that he had not filed the bundle of pleadings because he had misplaced the copy of the defence served on him and that in spite of repeated requests Mr. Nair had not sent him a copy. When asked by the court why this issue was not raised during the case management stage, Mr. Wong said that he trusted Mr. Nair and when I asked Mr. Nair why he had not served a copy on Mr. Wong his reply was that he was busy. Again not wanting to adjourn the matter unnecessarily I directed Mr. Wong to file the bundle of pleadings the next day. The case then proceeded. Mr. Nair then raised certain issues during his cross-examination which required the court to enquire if he had pleaded the said issues. Mr. Nair contended that he had made a general statement. When I further enquired if he had descended into particulars Mr. Nair readily admitted he had not. On this admission I ruled that he was not entitled to proceed on an issue not raised in his pleadings. With that he ended his cross-examination. After the re-examination I adjourned to the next day for the defence to commence.

After DW1 was sworn in, Mr. Nair informed the court that his clients wished to discharge him and the reason being that because of the questions directed at him by the court, his clients felt that the court might be prejudiced. I granted his oral application for discharge and since the defendants were unrepresented I refused to proceed further with the case without the defendants being represented. At that time, in view of what was expressed by Mr. Nair's clients, I felt that justice would not be seen to be done if I continued to preside over the case. As I did not want the defendants to think for even a moment that this court would be swayed by anything else other than the evidence placed before it, I therefore disqualified myself from further hearing this case and directed that it be transferred to another court of the same division.

However, the plaintiff promptly filed an application (encl. 54) for an order that the direction that I made on 26 June 96 whereby I disqualified myself, be set aside and that I do continue to hear the case. The first issue was whether I should even hear the application.

My anxiety to see that justice was seen to be done seemed ill-founded when the same Mr. Nair who had discharged himself, now appeared as co-counsel with Mr. Kenny D'Cruz. Both Mr. Nair and Mr. Wong agreed that my reason for disqualifying myself was because Mr. Nair had applied to discharge

himself. I then directed Mr. D'Cruz to address me as to why I should not grant an order in terms of encl. 54 since Mr. Venu Nair was continuing to have conduct of this case.

Mr. D'Cruz submitted that once an order had been made by a Judge it cannot be set aside by the same judge unless there were provisions in the RHC giving the court the power to set aside its own order like in O. 35 r. 2 of the RHC. He suggested that Mr. Wong ought to have appealed against my order. He argued that there was no application initiated by either counsel to disqualify the judge. Having considered the matter and having disqualified myself, I was urged not to invoke O. 92 r. 4 of the RHC.

In reply, Mr. Wong submitted that when I made the order on 26 June 1996 he was not heard. The court disqualified itself because Mr. Nair had discharged himself and not for any other reason.

Having applied for and obtained an order discharging himself, Mr. Nair then proceeded to affirm an affidavit, encl. 56, in which he maintained at para. 1 that he is the solicitor in charge of the conduct of this case. To my mind this is nothing more than an attempt by counsel to return to the case after the judge had disqualified himself. In the circumstances, it was clear to me that I would be falling in line with the wishes of counsel for the defendants if I continued to remain disqualified when even Mr. Nair had come back into the picture. Moreover, the direction I had made had not been drawn up nor perfected. I therefore granted an order in terms of encl. 54. On hindsight and after perusal of the notes of proceedings, I find no reason to suggest that this court would be biased. Upon reading the Court of Appeal decision in *Hock Hua Bank (Sabah) Berhad v. Yong Link Thin & 7 Ors* [1995] 2 AMR 1332, I find that this case is not one from which the judge should disqualify himself. The decision of Richard Talalla J in *Wong Foot Choy & 25 Ors v. Toong Hup (M) Sdn Bhd & 7 Ors* [1996] 1 AMR 402 also lays down clear principles of law as to when a judge should disqualify himself. As there would be no bias or any real possibility that I would be biased in my judgment, it would be an abdication of judicial function and an encouragement of procedural abuse if I were to remain disqualified. A solicitor who ignores the specific instructions of a judge, given to expedite and provide a time-table for any court proceedings, must be prepared for any rebuke from the presiding judge. In the circumstances I saw no reason not to continue hearing this case.

Reported by Anne Khoo